



NEWSLETTER

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This newsletter is written to assist in recognising issues and developing strategies so as to maximise profits and minimise and / or defer taxes payable in the current and future years. Estate planning must be an integral part of that strategy, so Wills should be reviewed concurrently as family dynamics change.

Taxes, superannuation, dividends, equities and properties all need to be considered, because they are all (including taxes) an integral part of your Family's wealth creation and can be designed to provide substantial tax savings if correctly structured and managed.

If a strategy is to work, all the elements must be considered and kept in balance.

The strategy does not have to be in writing, but the elements should be clear and understood.

You need to have wealth and tax strategy that deals with:

- ***freeing up cash to invest and by such means increasing your wealth;***
- ***increasing your return on investment;***
- ***paying off your home with pre-tax dollars; and***
- ***lowering tax rates across the family's income spectrum.***

The strategy should be understood by the owners, operators and their advisers.

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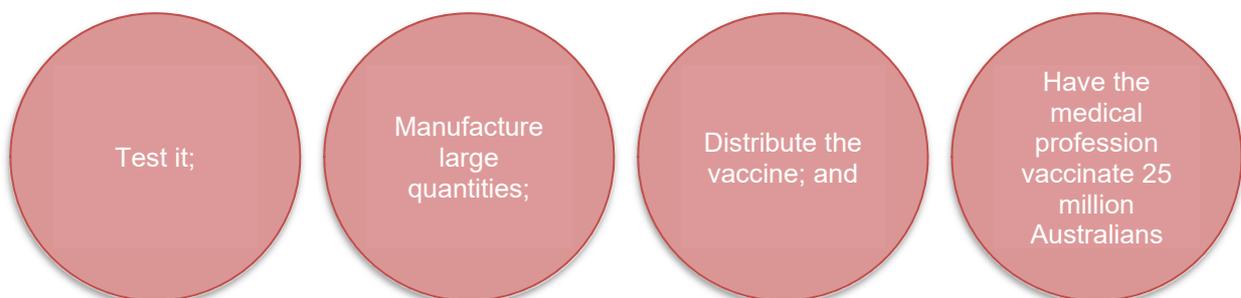
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BUSINESS SURVIVAL IN A PANDEMIC ENVIRONMENT

REALITY CHECK

The reality of COVID-19 is that until a vaccine is developed, tested, manufactured in commercial quantities and most of the population has been vaccinated social distancing and staying at home is going to become the norm so we need to adjust very quickly to this reality.

The truth is that the chances of there being a vaccine developed by January 2021 is frankly remote. If we take the basis that it is going to take that long to develop it, then to get it to the public and vaccinate them, we need to:



and that is before we open up our borders to foreign visitors and allow interstate travel.

This is going to take some time and if you are very optimistic you can suggest it is going to be June of 2021, however in reality it is likely to be December 2021. Until that happens social distancing will stay because if they let the public out of self-isolation and mandatory quarantine before, the risk of the outbreak spreading beyond control is large.

If we accept that that is the case then business won't effectively restart until say November / December 2021.

The problem business is then going to face to re stock and re gear is that some of the supply chain won't have made it, they will have stalled or gone into administration or the owners retired because it was just too hard and required to much funding.

If business is to survive then principals need to look at the core business and the critical staff and do everything to ensure that they have sufficient business, profit and cash flow to get them through until the business restarts and can then rebuild.

If business owners don't face the stark reality today and leave restructuring until later on the view that this will all be over by June 2020 then there is a very good chance that by the time they start the restructure it will be too late and they won't have the cash to pay out the redundant staff and fund the lower profits for the longer period.

Putting staff on shorter hours and / or four days a week and concurrently cutting their pay by 20% is just delaying the inevitable and many companies that have or are thinking of going down this track will fail either before the restart or soon thereafter because they won't have the cashflow to fund the growth.

Strategies for your Wealth Creation, Financial Protection And Business Success

BUSINESS ASSESSMENT

Without this trying to sound like an exercise for drumming up business, many business owners are going to need to get some advisers in and for all the right reasons.

Many of you will take a soft approach to start with and if you are to survive you need someone to push you and consider drastic alternatives.

After the restructure you need to be very lean and mean, which will hopefully guarantee the ongoing business **and the critical staff will be there at the end of the day.**

There are certain businesses that are benefiting from this event because they are in an industry that is an essential service. Those businesses as much as their turnover has and will continue to increase need to be careful that they do not trade themselves into liquidity problems and very heavily monitor credit to customers, some of whom will fail and your business will have higher amounts of bad or very slow paying customers.

What you need to do

1. **Produce some financial reports** right up to the current date and compare month by month, particularly the last four months of what your performance was this time last year.
2. **Identify the relief being offered by both the State and Federal Government** and if it fits into the plan ensure you will get it by knowing and implementing the prerequisites to the grant being paid.
3. On the basis of reduced turnover which many businesses are suffering (excluding food, pharmaceutical and other essential service providers) identify **which staff members are critical to your smaller business**. This may require those staff to work extra hours (which are paid for) so that smaller number of staff service the reduced turnover.
4. **What overheads can you reduce or remove?** Do you need all the space you are currently using?
5. **Do you have excessive stock** and if so how are you going to reduce it remembering that if you wholesale reduce it then when the business picks up you may not be able to restock some of it either permanently or for some extended lead time?
6. **What is your new breakeven** and has or will your margin change?
7. Based on your dramatically reduced staff and overheads **what does the cash flow going forward look like?**
8. **What would happen if you shut the doors until this is all over?** Can you resurrect the business, clearly in a smaller more compact business? If you did that how much lead time would you need to re charge the business? Remember one rule, **nobody is irreplaceable** and if you commit to staff members through loyalty you are putting your assets and the business at risk.

**Strategies for your Wealth Creation, Financial Protection
And Business Success**

MOVING FORWARD

Once this assessment is completed, which must be done, you then look at what it will take to regear the business to higher turnover, and this will require:



With obvious exceptions maybe the business needs to consider:

- moving all sales to “cash on delivery” for the majority of clients so that funds are not tied up in servicing clients. This will achieve minimising bad debts and freeing up more cash to service sales growth;
- putting some if not the majority of staff retained on to permanent part time basis and get some if not most of them working from home, so they only get paid for the work completed. Staff that are identified as critical to the business could be fed the majority of the work;
- If you have the same business in several locations and all are relatively close together, shut one location, leaving only skeleton staff reflecting “we are still in business” and do say one or two specialised things, keeping the major location in full production. The work of the second location then can be shipped to them and they can back haul work to be done in the major location and back fill completed work to the other location. By way of example let’s say you are a dry cleaner in two locations. Consider doing only say washing in one location and say dry cleaning in the other rather than having all staff and machinery operating at 60% capacity in both locations; and
- shutting down branches that are not profitable and just reduce the loss to the rent and outgoings until things start to get back to normality.

Conclusion

This is going to require **owners, business managers and advisers to think outside the box** and be prepared to implement strategies and be ready and committed to changing them at short notice if they in part or in whole do not work.

If not, by November / December 2020 or shortly thereafter;



While all this is happening, **the banks will want their debts repaid.**